BARTON REPORT AND ACCOUNTS 1978

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Timetable

Annual general meeting	16th May 1979
Payment of final ordinary dividend	25th May 1979
Interim statement — 1979	11th September 1979
Payment of interim ordinary dividend	9th November 1979

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UNIVERSITY OF STRATHCLYDE

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Barton & Sons Limited

Report and Accounts

for the year ended 31st December 1978

Results in brief

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BUSINESS INFORMATION CENTRE

26. APR 1979

The subsidiary companies made engineering products
(of which £43.3 million were sold and the remainder added to stock)



worth £43.7 million

Materials—chiefly steel



cost £21.7 million

Other supplies and overheads
(including pension and other payroll costs)



cost £9.1 million

Our 2,454 employees
(average earnings £3,663)



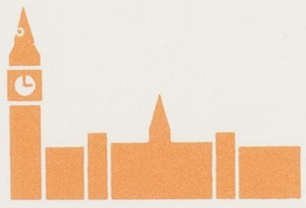
received £9.0 million

These outgoings leave a pre-tax profit
(an increase of 9%)



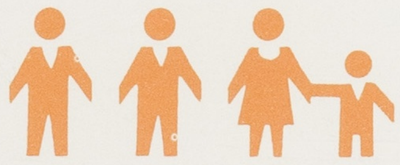
of £3.9 million

From which an amount
was set aside to meet tax liabilities
(although due to various reliefs only £0.6m is immediately payable)



of £1.0 million

Our 2,923 shareholders will receive dividends
(an increase of 12%)



of £0.6 million

The remaining sum
together with the charge for depreciation has
been used to help finance new plant, buildings,
increased stocks and debtors and also cover the
extraordinary items.

of £2.3 million

The future
We look forward with modest confidence to the year as a whole and will be disappointed if 1979 profits do not show a further improvement.

Notice of Meeting

Notice is hereby given that the forty-third annual general meeting of the ordinary shareholders of the company will be held at Penns Hall Hotel, Walmley, Sutton Coldfield, on Wednesday, 16th May 1979 at 12.30 p.m. for the following purposes :—

1 To receive the directors' report and statement of accounts for the year ended 31st December 1978.

2 To declare a final dividend on the ordinary shares.

3 To elect directors.

4 To appoint auditors and authorise the directors to fix their remuneration.

5 As special business to consider and, if thought fit, to pass the following resolution :—

That the authorised share capital of the company be increased from £5,000,000 to £6,400,000 by the creation of 5,600,000 ordinary shares of 25p each.

6 As special business to consider and, if thought fit, to pass the following resolution :—

That it is desirable to capitalise the sum of £907,812 being part of the amount standing to the credit of revenue reserves in the books of the company and accordingly that the directors be and are hereby authorised and directed (a) to appropriate the said sum to the holders of the ordinary shares of the company in proportion to the number of shares held by them respectively as at the close of business on 23rd April 1979 (b) to apply such sum in paying up in full 3,631,248 new ordinary shares of 25p each in the capital of the company and to allot and distribute such new shares credited as fully paid and ranking as regards dividends declared after the passing of this resolution and in all other respects pari passu with existing fully paid shares in the capital of the company to and amongst such holders in the proportions of one such new share for every five shares of 25p each then held by such holders and (c) as regards fractions of shares to sell the total number of shares represented by these fractions and to apply the proceeds of such sale for the benefit of the company.

7 To transact any other ordinary business of the company.

NOTES

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and a proxy need not be a member.

The report and accounts are sent to all shareholders of the company but holders of preference shares are not entitled to attend or vote at the above meeting.

There will be available for inspection at the registered office of the company from the date of the above notice until the date of the meeting during normal business hours and for fifteen minutes prior to and during the meeting at the place of meeting :—

(a) Contracts of service of certain directors with the company not terminable within one year without compensation.

(b) Details of dealings of directors and their families in shares of the company during the preceding twelve months.

By Order of the Board

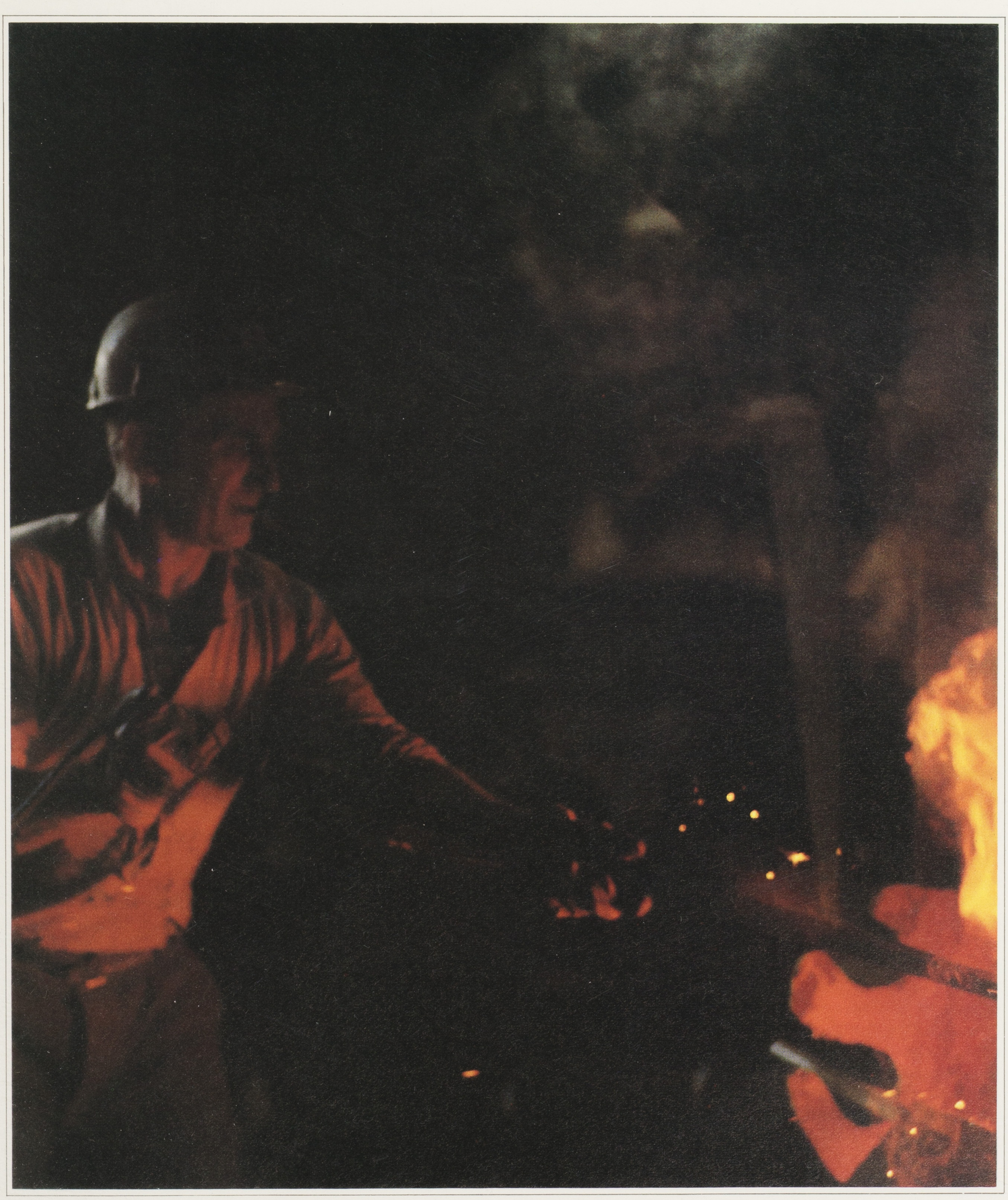
A. L. KENDRICK
Secretary

Neville House
42-46 Hagley Road
Birmingham 16

23rd April 1979

Taking the temperature of molten steel in the electric arc furnace used to produce abrasives.

The cover depicts the round shot and angular grit.



Chairman's Statement

Results for the year

At the interim stage I expressed some degree of caution about the results for the year as a whole and explained the reasons for such caution, and in the event an increase in profits before taxation of approximately 9% to £3.94m will I hope be considered not unsatisfactory, particularly bearing in mind that our former South African interests, of course, made no contribution to the second half although they contributed some £400,000 to profits in the first half of the year. I think it would be fair to say that the final result is a slight disappointment to my colleagues and myself and would have been well over the £4m mark if it were not for the fact that for a variety of reasons, December proved to be a very poor month.

I am pleased to say that our Canadian subsidiary performed extremely well and it will be seen from the directors report that our two new acquisitions Chemipetro Engineering Limited and High Pressure Forgings Limited produced a most encouraging result in their first half year as members of the group.

The consolidated balance sheet demonstrates a strong liquid position with minimal net borrowings in relation to shareholders funds of £17.2m. The figure of £17.2m itself calls for a little explanation, as although the comparative figures for 1977 have been restated in accordance with the group's current accounting policies, the actual comparative figure in the accounts for last year was approximately £13.1m. For some years companies have shown in their profit and loss accounts a charge to taxation substantially greater than that which the company is actually liable to pay, and roughly speaking the difference between the actual liability and the theoretical tax charge has operated to create a substantial deferred tax account in the balance sheet. This is, of course, clearly understood by professional investors, but is confusing to some of us. A reserve for deferred tax arises largely for two reasons. In computing the actual charge to corporation tax depreciation is added back, but substantial allowances — usually in excess of depreciation — are given in respect of capital expenditure. Accountants have thought it right to include in the profit and loss account a charge which ignores this, and to create a taxation equalisation reserve for the tax which would arise if the assets in question were sold at book value. However, if a company continues to invest in capital equipment (as we do very substantially) this theoretical liability will never arise. The other major item relates to stock relief, which very broadly defers any liability to taxation on the major portion of profits arising through increased stocks.

Modern practice is to include in the profit and loss account a taxation charge which bears a closer relation to the actual expected liability, and to transfer to shareholders funds any provision in the balance sheet for deferred taxation which in practice is unlikely to be required. This practice has largely been adopted in the accounts under review as explained in the note on page 11. This company has always adopted conservative accounting policies, and in fact your directors have not felt it prudent to take credit for all stock relief apparently available, either in the year under review or accrued in respect of past years.

Directors

It is a matter of considerable personal regret to me that in accordance with the present group policy that everyone retires from full time service at age 65, two old friends and valued colleagues have retired from the parent board during 1978. At the end of June, John Thomson retired after no less than 40 years with the group, having been managing director of Wright Anderson & Co. for many years, and a divisional chairman and member of this board for over 13 years. In December Sam Worrall retired, having been appointed a divisional chairman and a member of this board on the same day as John Thomson. The greatest, and lasting, tribute to Sam Worrall as a businessman is that the company of which he was a founder in 1946, Walton & Co. (Wolverhampton) Limited is now a major contributor to group profits, and going from strength to strength.

I am delighted to say that the wisdom and experience of both gentlemen has not been lost to the group, as each has kindly agreed to continue for a period as a divisional chairman, with overall responsibility for the policies of companies for which they have done so much in the past.

W. M. Brennan

My colleagues and I heard with great sadness of the death of Bill Brennan in February of this year. He was taken ill in 1977, but he and all his friends had hoped that an operation had restored him to full health, as for a time appeared to be the case.

For the last few months it was obvious that this was not to be, and having spent some hours with him in January I know for myself how bravely he fought against a cruel disease. His widow Cora, who has herself had far more than anyone's fair share of ill health, was a tower of strength in those last months, and has our deepest sympathy.

It would be totally fair to say that without Bill Brennan the group's former South African interests would have been much less successful. He joined us in 1956 and transformed a sad little company into an organisation of which anyone could be rightfully proud. Despite the personal sadness which he must have felt, his friendly co-operation and understanding greatly assisted in the successful sale in August last year.

Special business and extraordinary general meeting

It will be seen from the notice of meeting and the directors' report that resolutions will be proposed at the annual general meeting to increase the authorised ordinary share capital of the company, and to effect — if approved by shareholders — a capitalisation issue of one ordinary share for every five ordinary shares held at the close of business on 23rd April 1979, with dealings in the new shares expected to commence on 4th June 1979.

There is no present intention of issuing any of the fairly modest residue of authorised but unissued ordinary shares which will exist after such proposed capitalisation issue.

The company's memorandum and articles of association were adopted many years ago, and in a number of respects are not in accordance with modern practice. You will find enclosed with these report and accounts a notice of extraordinary general meeting to be held immediately following the annual general meeting, at which resolutions will be proposed to change the memorandum and adopt new articles. The proposed changes are fully explained in my letter which accompanies such notice.

Future policy

Your board is very aware that no company can stand still, and that with the prospects for other than very modest growth in the country's economy as a whole appearing perhaps remote the board and management of a successful company must take very positive action with a view to out-performing the economy as a whole.

These steps are being taken, and I hope the results will be demonstrated over the next few years. We start with some advantages. As already mentioned, our gearing is minimal and without in any way affecting the strength of our balance sheet, which has always been a feature of our company, it is obvious that very substantial funds are at our disposal for investment — both within the existing group and by way of acquisition. Several of our younger or smaller subsidiaries are performing very well, and their further growth will be encouraged and assisted. We have entered new fields during the year under review, and are not afraid to do so again; whilst continuing to invest in the latest machinery and increasing our management strength in those fields in which we are solidly established.

Prospects

It would be either a very brave or very foolish chairman of an engineering group who said that 1979 had started well. The difficulties of the first three months are too well known to warrant repetition, and we have not escaped our share of such difficulties. Nevertheless my colleagues and I look forward with modest confidence to the year as a whole, and will be disappointed if profits do not show a further improvement. The extent of such improvement is impossible to quantify after three months distorted by events outside our control.

JOHN WARDLE

A selection of the stainless steel flanges supplied to the chemical and petroleum industries.



Directors



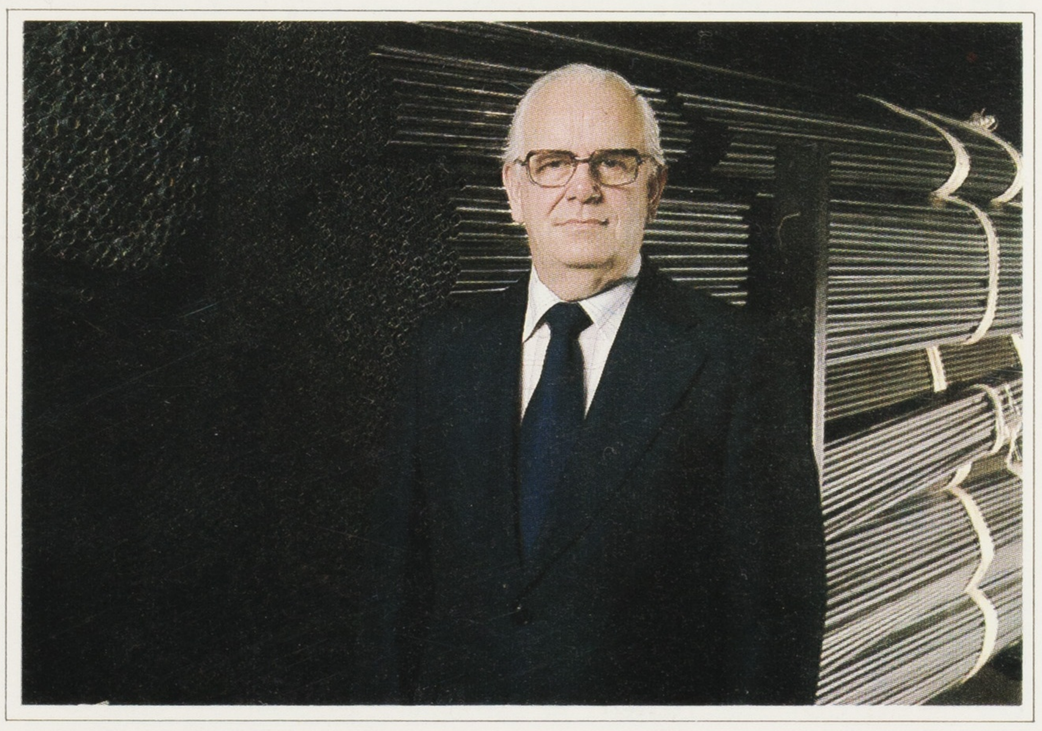
J M Wardle, LLB *Chairman non-executive age 50 (right)*
J S Roper FCA *Deputy chairman age 45 (left)*



N Harlow *age 57*



F J Meldrum MA *age 54*



G B Sheldon CEng FI ProdE *age 62*

Secretary and Registered Office

A L Kendrick
Neville House
42-46 Hagley Road
Birmingham

Solicitors

Edge & Ellison, Hatwell Pritchett & Co.
Rutland House
Edmund Street
Birmingham

Auditors

Peat, Marwick, Mitchell & Co.
Windsor House
Temple Row
Birmingham

Bankers

Barclays Bank Limited
Colmore Row, Birmingham

Midland Bank Limited
Willenhall, West Midlands

Report of the Directors

Activities

The trading activities of the group are entirely carried out by the subsidiary companies, the parent company being purely a holding company. The products of the subsidiaries fall into three categories — steel tubing, fabrication and engineering. The latter division produces a wide range of products significant being metallic abrasives, drop forgings and aluminium castings. The tube division has a manufacturing unit in Canada but the remainder of the group's manufacturing activities are based in the United Kingdom. A list of companies and their products is given on page 26.

Subsidiaries

On 6th August 1978 the whole of the group's South African interests comprising Barton & Sons S.A. (Pty) Limited, and Bartons Tube & Conduits Limited were sold for a gross consideration of £3.4 million in cash. In the group accounts for 1978 turnover of £3,963,545 and profit of £407,282 in respect of the period to 30th June 1978 has been included as the contribution from the South African subsidiaries.

On 16th August the whole of the issued share capital of Chemipetro Engineering Limited and High Pressure Forgings Limited were acquired at an initial consideration in respect of the former of £309,000 and the latter of £196,000. Further deferred consideration is payable based on the results of the companies in the years 1979 to 1981 inclusive. Turnover of £908,628 and profits of £213,185 have been included in the accounts for 1978 and are the figures from 1st July 1978 to the year end.

Since the end of the financial year, on 26th February 1979 the share capital of Aluminium Die Castings (Birmingham) Limited was acquired at a total cost of £1,023,752 in cash including settlement of loans outstanding to the vendors.

Sales

The turnover of the group in the year amounted to £43.35 million of which direct exports from the United Kingdom contributed £2.56 million. A detailed analysis by customers is given on page 21.

The turnover of the three divisions was as follows :—

	1978 £000	1977 £000
Tubing	**17,879**	20,052
Fabrication	**11,409**	9,665
Engineering	**14,059**	11,148
	43,347	40,865

Profit

The profit for the year amounted to £3,937,327 and after taxation of £999,343, preference dividends of £13,480 and extraordinary items of £422,348 leaves £2,502,156 available for distribution to ordinary shareholders. The profit earned by the divisions was as follows :—

	1978 £000	1977 £000
Tubing	**1,546**	1,701
Fabrication	**692**	772
Engineering	**1,945**	1,490
	4,183	3,963
Less interest (net)	**246**	342
	3,937	3,621

Dividends

An interim dividend of 1.1p per share has been paid in respect of the year and a special interim of 0.0261p per share was paid in respect of the year 1977. The directors recommend the payment of a final dividend of 1.9703p per share which you will be asked to approve at the annual general meeting. Subject to approval the final dividend will be paid on 25th May 1979 to shareholders on the register at 23rd April 1979.

Capitalisation issue

In order to bring the share capital of the company more into line with shareholders funds the directors recommend that a capitalisation issue of one new share for every five ordinary shares held be made to shareholders on the register at the close of business on 23rd April 1979. The shares will be paid up by capitalising £907,812 out of revenue reserve and the new shares will rank *pari passu* with the existing ordinary shares including the right to all dividends declared after approval of the issue. It is proposed to sell the fractions of the shares for the benefit of the company. Application

has been made to the Council of The Stock Exchange for the new shares to be admitted to the official list. If approved by the annual general meeting renounceable certificates will be posted on 1st June 1979 for dealings to commence on 4th June 1979.

Increase in capital

A recommendation will be submitted to the annual general meeting that the capital of the company be increased to £6,400,000 by the creation of 5,600,000 ordinary shares of 25 pence each. There are no current negotiations which would result in an issue of ordinary shares and no issue will be made which would effectively alter the control of the company or the nature of its business without prior approval of the company in general meeting. Whilst an increase in authorised capital is necessary for the capitalisation issue it was thought desirable to make an adequate increase.

Fixed assets

In June 1976 the directors obtained a valuation of the group's land and buildings. On the basis of this valuation and information on the change in property values since the directors are of the opinion that the present market value of the group's land and buildings is not less than £6.0 million. The value shown in the accounts at 31st December 1978 was £3.1 million.

Depreciation is not provided on freehold buildings as the market value is in excess of cost and the amount is immaterial in relation to group profits.

Capital expenditure during the year amounted to £2,630,654. Assets sold or scrapped during the year had a net book value of £218,727. The capital expenditure incurred was distributed as follows:—

	£000
Tubing	589
Fabrication	270
Engineering	1,772
	2,631

Directors

The present directors of the company are listed on page 7. On 30th June 1978 Mr. H. J. Thomson retired from the board and Mr. S. Worrall retired on 31st December 1978. The directors retiring by rotation are Messrs. J. M. Wardle and N. Harlow who being eligible offer themselves for re-election.

Directors shareholdings

The shares of the company held by directors and their families were as follows:

	31.12.78	31.12.77
Ordinary shares		
N. Harlow	**17,573**	19,540
F. J. Meldrum	**4,800**	4,000
J. S. Roper	**7,879**	8,567
G. B. Sheldon	**6,000**	5,000
J. M. Wardle	**8,259**	3,833
J. M. Wardle non-beneficial	**3,000**	—
Preference shares		
G. B. Sheldon	**200**	200

Up to 31st March 1979 the only change to take place in the holdings was an addition of 800 shares to the non-beneficial holding of J. M. Wardle.

Comparative figures for 1977 are before the capitalisation issue of one for five in May 1978.

Contracts

There were no disclosable contracts or arrangements subsisting at any time during the year between the company and any of its directors.

Employees

At the end of the financial year the analysis of employees was as follows:—

	Total	Production	Administration
Male	1,759	1,467	292
Female	464	268	196
	2,223	1,735	488

The average number employed during the year, the total wages and the cost of additional employee benefits such as national insurance and pensions were:—

	Number	Remuneration	Benefits
U.K.	2,099	7,315,317	955,385
Overseas	355	1,674,044	224,961
	2,454	8,989,361	1,180,346

In addition to the cost of employee benefits shown above the group has paid national insurance surcharge of £173,000 in the nine months from April 1978.

Pensions

The pension scheme in the United Kingdom is self-administered and the investments are controlled by professional managers. An actuarial valuation as at 1st January 1978 indicated that the assets were adequate to meet the potential liabilities at that date.

The scheme was varied in April 1978 from a scheme providing full pension accrual to one running on top of the state earnings related scheme. The pension accrual from both the company and state schemes which is the same for both staff and works personnel gives a pension expectation after 40 years of two thirds of pay near retirement. A range of death benefits and a widow's pension are also provided.

A total of 624 males and 79 females were members of the scheme which is open to all employees apart from those under 21 and employees with less than one year's service.

Shareholders

The ordinary shareholders of the company numbered 2,923 at 31st December 1978 and were analysed as follows:—

	Number	Shares	%
Private individuals	2,749	3,906,156	22
Banks and nominees	67	2,539,222	14
Insurance companies	24	5,996,788	33
Pension funds	7	825,600	4
Investment trusts	39	2,478,787	14
Other corporate holdings	37	2,409,695	13
	2,923	18,156,248	100

Holdings of more than 5% of the share capital of the company at 31st December 1978 and 31st March 1979 were:—

Staveley Industries Limited	1,897,200 shares
Since the year end The Prudential Assurance Co. Limited have increased their holding to	919,828 shares

The company is not a close company under the provisions of the Finance Act 1965.

Donations

During the year £2,000 was contributed to the Conservative Party and £7,690 to charitable causes in the United Kingdom.

Report of the Auditors

To the members of Barton & Sons Limited

We have examined the accounts set out on pages 11 to 19 and 26 which have been prepared on the basis of the accounting policies set out on page 11. In our opinion they give a true and fair view of the state of affairs of the Company and of the Group at 31st December 1978 and of the profit and source and application of funds of the Group for the year to that date and comply with the Companies Acts 1948 and 1967.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.
Birmingham.
19th April 1979.

Accounting Policies

Convention

The accounts are prepared under the historical cost convention of accounting adjusted by the revaluation of certain fixed assets.

Consolidation

The accounts of all subsidiaries have been consolidated and the accounts of each one are coterminous with those of the parent company. Goodwill arising on consolidation comprising excess of cost of acquisition over net assets at book value is written off against profits retained in the year of acquisition.

Acquisition and disposal

Results of companies acquired or disposed of are brought into the accounts from or up to the date of acquisition or disposal.
In the case of the disposal of the group's South African subsidiaries due to reorganisation following the sale the only relevant results available were those to 30th June 1978. Accordingly these results have been consolidated and the results of the two companies acquired during the year have been consolidated from the same date thereby effectively keeping to the above declared policy.

Associate company

The results of the associate company 50% of the share capital of which is owned within the group have not been consolidated on the grounds of immateriality.

Grants

Grants received towards the cost of capital expenditure are used to reduce the cost of the relevant fixed assets in the accounts.

Turnover

Turnover is the value of goods sold and services rendered by group companies to outside concerns, excluding value added tax.

Stock

Stock and work in progress have been valued at the lower of cost including an addition for production overheads upon processed stock and estimated realisable value. Due allowance has been made for obsolete or slow moving items.

Depreciation

No depreciation is provided on freehold buildings. Expenditure on leasehold property is written off over the remaining period of the lease. Depreciation on plant and vehicles has been calculated on a straight line basis at rates estimated to write off the original cost over the useful life of the asset. The lives assumed vary from four to sixteen years for plant and from three to five years for motor vehicles.

Development and repair expenditure

Expenditure upon research, development of new products, patents and repairs is written off as incurred.

Foreign currency

Foreign currency has been converted into sterling at the average exchange rates ruling during the year for profit and loss account items and at the rates ruling at the year end for balance sheet items. Adjustments to the opening figures to bring them up to the comparable figure at the year end are made through reserves.

Taxation

Provision is made in the accounts for taxation upon the income ascertained for tax purposes. Where the income for accounts purposes differs from this figure due to stock relief or the level of capital allowances being higher than depreciation, provision for deferred tax is not made if this situation is likely to continue for the foreseeable future.

In the case of stock relief a provision has been retained to cover any liability arising either from failure to obtain anticipated stock relief or a modest reduction in stock values.
In the event of provision being made for deferred tax the liability method is used. Advance corporation tax paid but not set off is carried forward where recovery is reasonably certain.

This basis represents a change of policy from that used last year and the figures for 1977 have been restated on this basis.

Provision is also made for the tax liability which would arise on the distribution of half the profits at present retained by the overseas company.

Group Profit and Loss Account

For the year ended 31st December 1978

	NOTES	**1978**	1977
		£000	£000
Turnover	1	**43,347**	40,865
Group profit on trading	2	**4,183**	3, 963
Income from deposits and loans		**95**	17
		4,278	3,980
Interest payable	3	**341**	359
Total group profit	1	**3,937**	3,621
Group charge for taxation	4	**999**	907
Group profit after taxation	5	**2,938**	2,714
Preference dividends		**13**	13
		2,925	2,701
Ordinary dividends	6	**562**	499
		2,363	2,202
Extraordinary items	7	**423**	—
Profit retained by group	10	**1,940**	2,202
Earnings excluding extraordinary items per ordinary share	8	**16.1p**	14.9p
Dividend per ordinary share	6	**3.0703p**	2.7238p

Group Balance Sheet

31st December 1978

	NOTES	1978	1977
		£000	£000
Share capital	9	**4,860**	4,103
Revenue reserve	10	**12,340**	12,059
		17,200	16,162
Deferred liabilities			
Taxation	11	**875**	984
Medium term loans		**2,000**	2,000
Deferred consideration	21	**732**	—
		20,807	19,146
Fixed assets	14	**7,662**	7,316
Current assets			
Stock and work in progress	15	**9,884**	8,854
Debtors		**9,949**	10,140
Bank balances and deposits		**1,975**	149
		21,808	19,143
Less Current liabilities			
Bank overdraft and loan	16	**1,280**	1,499
Creditors		**6,469**	4,974
Taxation		**553**	524
Dividends	17	**361**	316
		8,663	7,313
Net current assets		**13,145**	11,830
		20,807	19,146

J M WARDLE
J S ROPER
} Directors

Group Funds Flow Statement

For the year ended 31st December 1978

	NOTES	1978	1977
		£000	£000
Source of funds			
Profit before tax		**3,937**	3,621
Depreciation		**683**	674
Proceeds of sale of fixed assets		**311**	128
Disposal of subsidiaries	20	**3,117**	—
Medium term loans		**—**	1,000
		8,048	5,423
Application of funds			
Taxation paid		**721**	594
Dividends paid		**531**	476
Purchase of fixed assets		**2,631**	1,901
Acquisition of subsidiaries	21	**508**	—
Additional working capital	19	**1,863**	992
Extraordinary items		**28**	—
Sundries		**96**	37
		6,378	4,000
Inflow used to reduce net borrowings		**1,670**	1,423

Certain figures in the statement have been adjusted as indicated in note 22.

Balance Sheet

31st December 1978

	NOTES	1978	1977
		£000	£000
Share capital	9	**4,860**	4,103
Revenue reserve	10	**4,637**	4,264
		9,497	8,367
Deferred liabilities			
Medium term loans		**2,000**	2,000
Deferred consideration	21	**732**	—
		12,229	10,367
Subsidiary companies	18	**12,421**	11,737
Fixed assets	14	**3**	5
		12,424	11,742
Current assets			
Debtors		**27**	34
Bank balances and deposits		**1,147**	34
		1,174	38
Less Current liabilities			
Bank overdraft		**554**	737
Creditors		**113**	81
Taxation		**341**	279
Dividends	17	**361**	316
		1,369	1,413
Net current liabilities		**195**	1,375
		12,229	10,367

J M WARDLE
J S ROPER
} Directors

Notes on the Accounts

Notes on the profit and loss account	**Turnover £000**	**Profit £000**
1 Turnover and profit of the subsidiaries acquired or disposed of in the year included in the accounts were as follows:—		
Chemipetro Engineering Ltd.	**434**	**77**
High Pressure Forgings Ltd.	**475**	**136**
South African subsidiaries	**3,964**	**407**

	1978 £000	1977 £000
2 Group profit Items already taken into account in arriving at the group profit include:		
Depreciation and disposal adjustments	**683**	674
Plant hire	**252**	198
Remuneration of parent company directors	**136**	119
Ex gratia gift to former director	**—**	6
Auditors remuneration	**36**	31
The directors' remuneration excluding pension contributions fell into the following ranges:—	Number of directors	
£2,501 to £5,000	**1**	2
£7,501 to £10,000	**—**	1
£10,001 to £12,500	**1**	—
£15,001 to £17,500	**1**	1
£17,501 to £20,000	**1**	2
£20,001 to £22,500	**3**	2
	£	£
Remuneration of chairman (1977 chairmen)	**3,500**	9,525
Remuneration of highest paid director	**22,179**	20,558
Directors' fees	**3,500**	3,500
In addition the number of U.K. employees in receipt of remuneration in excess of £10,000 within the following ranges was:—	Number of employees	
£10,001 to £12,500	**4**	2
£12,501 to £15,000	**1**	—

3 Interest payable is on bank and other loans repayable within five years

4 Group charge for taxation	**£000**	£000
Full provision:—		
Corporation tax (52%)	**458**	484
Deferred tax	**1,389**	1,040
Double tax relief	**(156)**	(151)
Overseas tax	**401**	441
Overseas deferred tax	**31**	12
Prior years	**(78)**	6
	2,045	1,832
Deferred tax provisions not made	**(1,046)**	(925)
	999	907

5 Profit for the year after taxation dealt with in the accounts of Barton & Sons Limited is £2,522,785 (1977 £821,495)

6 Ordinary dividends paid or proposed for the year are as follows:—	**1978 £000**	1977 £000
Interim 1.1p per share (1977 1.0p)	**200**	182
Final 1.9703p per share (1977 1.7238p)	**358**	313
Special interim in respect of 1977	**4**	4
	562	499

7 Extraordinary items are	
Loss on sale of subsidiaries	**394**
Closure costs	**29**
	423

8 Earnings per share are based upon earnings of £2,924,504 (1977 £2,700,928) and 18,156,248 shares of 25 pence in issue after the capitalisation issue in May 1978

Notes on the balance sheets

9 Share capital of Barton & Sons Limited	**1978 £000 Authorised**	**1978 £000 Issued**	1977 £000 Issued
Ordinary shares of 25p each	**4,600**	**4,539**	3,782
6% (now 4.2% plus tax credit) cumulative preference shares of £1 each	**400**	**321**	321
	5,000	**4,860**	4,103

10 Revenue reserve—profits retained:	**Group £000**	**Company £000**
As at 31st December 1977	**8,986**	**4,264**
Prior year adjustment — deferred tax	**3,073**	—
	12,059	
Transfer from profit and loss account	**1,940**	**1,947**
Foreign exchange adjustment on overseas subsidiary	**(236)**	**(151)**
Capitalisation issue	**(757)**	**(757)**
Goodwill on acquisitions	**(666)**	**(666)**
	12,340	**4,637**

11 Deferred taxation	**1978 £000**	1977 £000
Corporation tax due on or after 1st January 1980	**483**	382
Taxation equalisation — capital allowances	**326**	334
stock relief	**535**	270
other	**(33)**	(138)
Provision for tax on overseas profits	**99**	544
Advance corporation tax recoverable	**(535)**	(408)
	875	984

If full provision were made for all tax deferred by timing differences additional provisions would amount to £4,385,000 (1977 £3,073,000)

Notes
continued

12 Guarantees. The company has guaranteed and agreed to the right of set off in respect of the bank accounts of United Kingdom subsidiaries.

13 Contingent liabilities existed in subsidiary companies in respect of performance guarantees amounting to approximately £25,000 (1977 Nil).

14 Fixed assets

	Group				Company
		Land and buildings			
	Total	Freehold	Long Leasehold	Plant and vehicles	Vehicles
COST	£000	£000	£000	£000	£000
Cost or valuation at 1.1.1978	13,775	3,659	—	10,116	7
Foreign exchange adjustment	(292)	(106)	—	(126)	—
Assets of companies acquired	61	—	—	61	—
Assets of companies sold	(2,657)	(595)	—	(2,062)	—
	10,887	2,958	—	7,929	7
Additions during year	2,631	248	32	2,351	—
Disposals	(540)	(87)	—	(453)	—
	2,091	161	32	1,898	—
Cost or valuation at 31.12.1978	12,978	3,119	32	9,827	7
DEPRECIATION					
Depreciation at 1.1.1978	6,459		—	6,459	3
Foreign exchange adjustment	(137)		—	(137)	—
Depreciation of companies acquired	20		—	20	—
Depreciation of companies sold	(1,469)		—	(1,469)	—
Depreciation upon disposals	(322)		—	(322)	—
Charge for year	765		1	764	1
Depreciation at 31.12.1978	5,316	—	1	5,315	4
NET BOOK VALUE					
Net book value at 31.12.1978	7,662	3,119	31	4,512	3
1977	7,316	3,659	—	3,657	4

The fixed assets of certain companies have been included at valuation figures with subsequent additions at cost. The amounts of these valuations and the years in which made are as follows:—

	Land and buildings £	Plant £
1938	32,774	—
1955	35,000	48,599
1972	18,000	—
	85,774	48,599

No depreciation is provided on freehold buildings. If such depreciation were provided at 2% the charge for the year would have been £55,728.
The aggregate of the amounts of capital expenditure sanctioned but not incurred at the end of the year was £800,000 (1977 £1,710,000) and the portion of this amount contracted was £650,000 (1977 £1,335,000). In addition the company had sanctioned the acquisition of Aluminium Die Castings (B'ham) Ltd at a cost of £825,000 plus settlement of loan accounts to the vendor.

	1978	1977
15 Stock and work in progress	**£000**	£000
Stock of materials and consumables	**4,565**	3,843
Processed stock	**6,468**	5,794
Receivable on account	**(1,149)**	(783)
	9,884	8,854
16 Bank overdraft and loan are made up as follows:		
Bank overdraft—U.K.	**554**	781
Bank loan—overseas (secured)	**726**	718
	1,280	1,499
17 Dividends accrued or proposed		
Preference dividend accrued	**3**	3
Ordinary dividend	**358**	313
	361	316
18 Subsidiary companies—investments and advances:		
Shares at cost less amounts provided	**2,752**	2,308
Advances to subsidiaries	**11,610**	9,902
Advances from subsidiaries	**(1,941)**	(473)
	12,421	11,737

(A list of subsidiaries appears on page 26)

Notes on the funds flow statement

19 Additional working capital is made up of:		
Stock	**2,675**	479
Debtors	**469**	1,193
Creditors	**(1,181)**	(680)
	1,863	992
20 Disposal of subsidiaries		
Fixed assets	**1,188**	
Net current assets	**2,323**	
Loss on disposal	**(394)**	
	3,117	
21 Acquisition of subsidiaries		
Fixed assets	**41**	
Net current assets	**533**	
Goodwill on acquisition	**666**	
Deferred consideration	**(732)**	
	508	

Deferred consideration is based on profit projections for the years 1979 to 1981 inclusive.

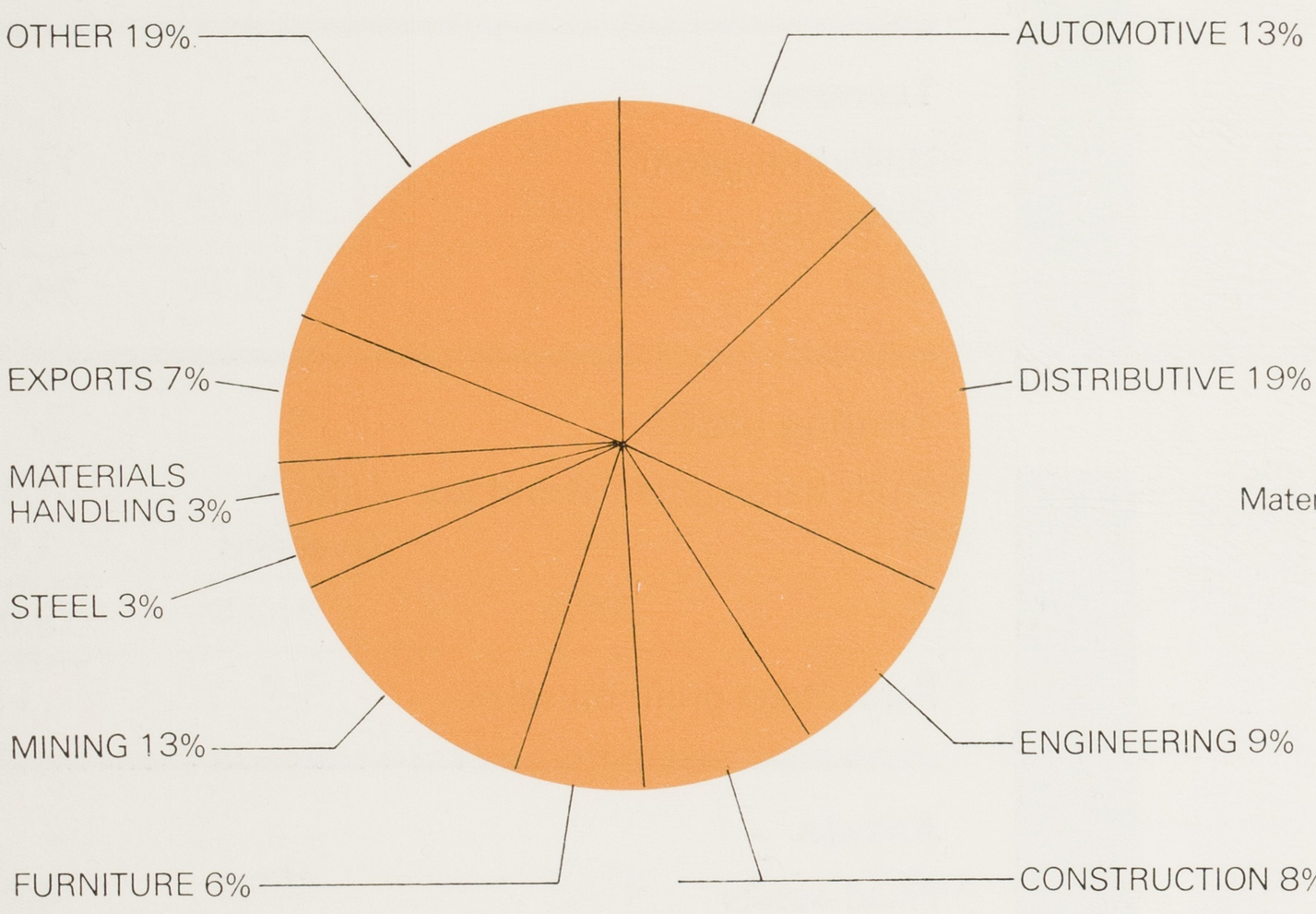
22 Adjustments have been made to movements in working capital and borrowings appearing in the funds flow statement to eliminate the effect upon the opening figures due to changes in exchange rates.

A gravity die being opened in the aluminium foundry revealing an oilpan for a large diesel engine.



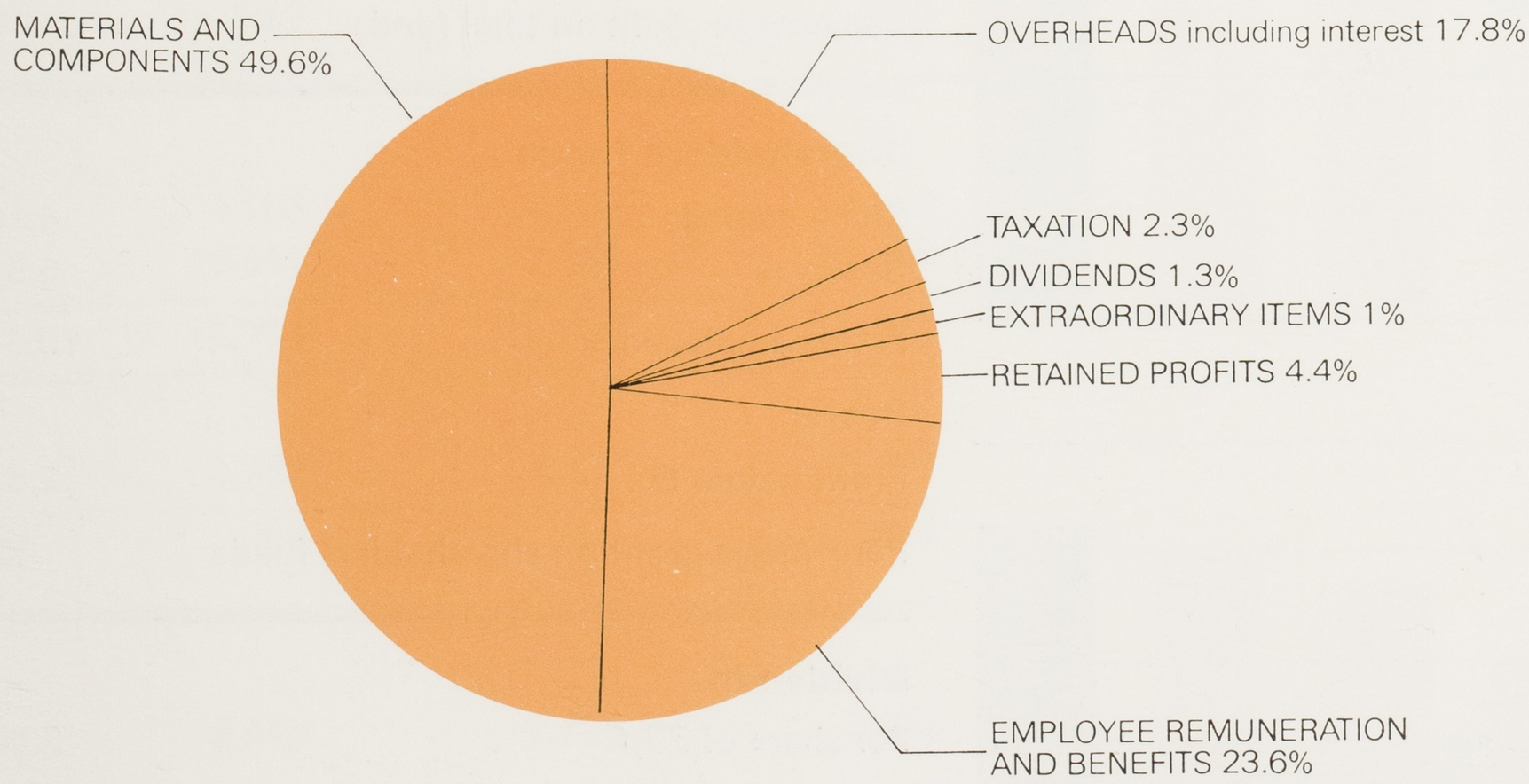
Sales and Costs

GROUP CUSTOMER ANALYSIS

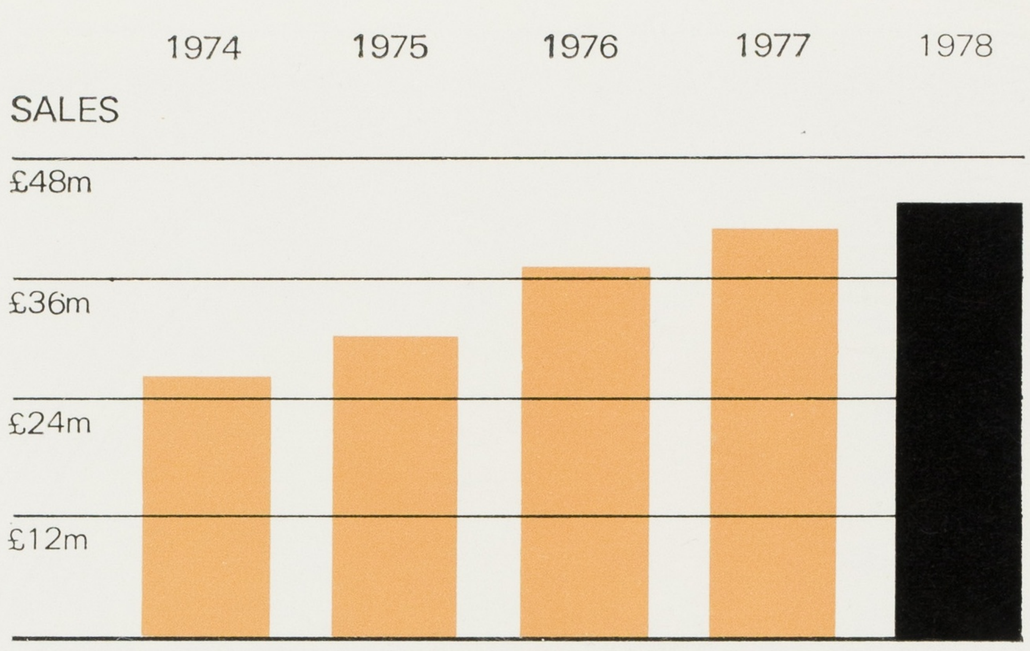


	DIVISIONS		
	TUBING	FABRICATION	ENGINEERING
	%	%	%
Automotive	10	—	27
Construction	8	16	2
Distributive	35	1	13
Engineering	5	3	20
Furniture	15	—	—
Materials Handling	2	6	1
Mining	2	42	2
Steel	1	1	8
Other	13	31	16
Exports	9	—	11
	100	100	100

COSTS AND APPROPRIATIONS



Five Year Record



	1974
	£000
Turnover	
United Kingdom	17,815
Overseas	8,362
	26,177
Trading profit	
Profit before interest and tax—U.K.	1,440
Overseas	1,629
	3,069
Percentage profit on sales	11.7
Assets	
Fixed assets	4,944
Net current assets excluding borrowings	7,689
Total funds	
Funds employed including borrowings	12,633
Percentage profit on total funds	24.3
Shareholders funds	
Share capital	4,103
Reserves	6,508
Funds employed	10,611
Profit	
Profit before tax	2,835
Percentage profit on shareholders funds	26.7
Dividends	
Per share of 25p	2.08p
Earnings	
Per share of 25p	9.62p

Divisional Statistics

1975	1976	1977	**1978**	1978	1978	1978
£000	£000	£000	**£000**	Tubing £000	Fabrication £000	Engineering £000
9,916	23,724	27,920	**33,240**	7,772	11,409	14,059
0,282	13,193	12,945	**10,107**	10,107	—	—
0,198	36,917	40,865	**43,347**	17,879	11,409	14,059
1,496	2,361	2,798	**3,183**	546	692	1,945
1,800	1,284	1,165	**1,000**	1,000	—	—
3,296	3,645	3,963	**4,183**	1,546	692	1,945
10.9	9.9	9.7	**9.7**	8.6	6.1	13.8
5,560	6,675	7,316	**7,662**	2,380	1,085	4,196
9,688	13,197	13,180	**12,450**	4,673	3,244	4,534
5,248	19,872	20,496	**20,112**	7,053	4,329	8,730
21.6	18.3	19.3	**20.8**	21.9	16.0	22.8
4,103	4,103	4,103	**4,860**			
7,976	10,611	12,059	**12,340**			
2,079	14,714	16,162	**17,200**			
2,965	3,262	3,621	**3,937**			
24.5	22.2	22.4	**22.9**			
2.22p	2.44p	2.72p	**3.07p**			
9.62p	13.50p	14.88p	**16.1p**			

NOTE
The comparative figures for dividends and earnings have been adjusted for the capitalisation issues in May 1974 and May 1978, and also the change in the basis of accounting for tax.

Inflation Adjusted Results

For the year ended 31st December 1978

	NOTES	**Current cost**	Historical
		£000	£000
Results for the year			
Sales		**43,347**	43,347
Profit before taxation	2	**2,724**	3,937
Gearing adjustment		**19**	—
		2,743	3,937
Taxation	3	**999**	999
Profit after taxation		**1,744**	2,938
Dividends paid & proposed		**576**	576
		1,168	2,362
Extraordinary items		**422**	422
Retained profit of the group		**746**	1,940
Earnings per ordinary share (based on 18,156,248 shares in issue)		**9.6p**	16.1p
Financial position at end of year			
Fixed assets	4	**11,605**	7,662
Current assets		**22,616**	21,808
Less current liabilities		**8,350**	8,662
		14,266	13,146
		25,871	20,808

Notes on Adjusted Results

Fabrications for the mining industry providing vital lateral support in a coal mine.

1 Basis

The historical results have been adjusted to show the effect on the results of implementation of the Accounting Standards Committee's interim recommendation.

---

2 Profit before taxation

The difference between the profit on an historical basis and on a current cost basis is made up as follows :—

	£000	£000
Profit before taxation — historical cost		3,937
Stock		
Additional charge arising from the valuation of the stock consumed and sold in the year at cost current at the time of consumption or sale rather than historical cost.	816	
Current cost has been calculated by the averaging method		
Depreciation		
Additional depreciation based upon the current cost of fixed assets instead of the historical cost.	397	
		1,213
Profit before taxation — current cost		2,724

---

3 Taxation

The charge for taxation is as shown in the historical cost accounts.

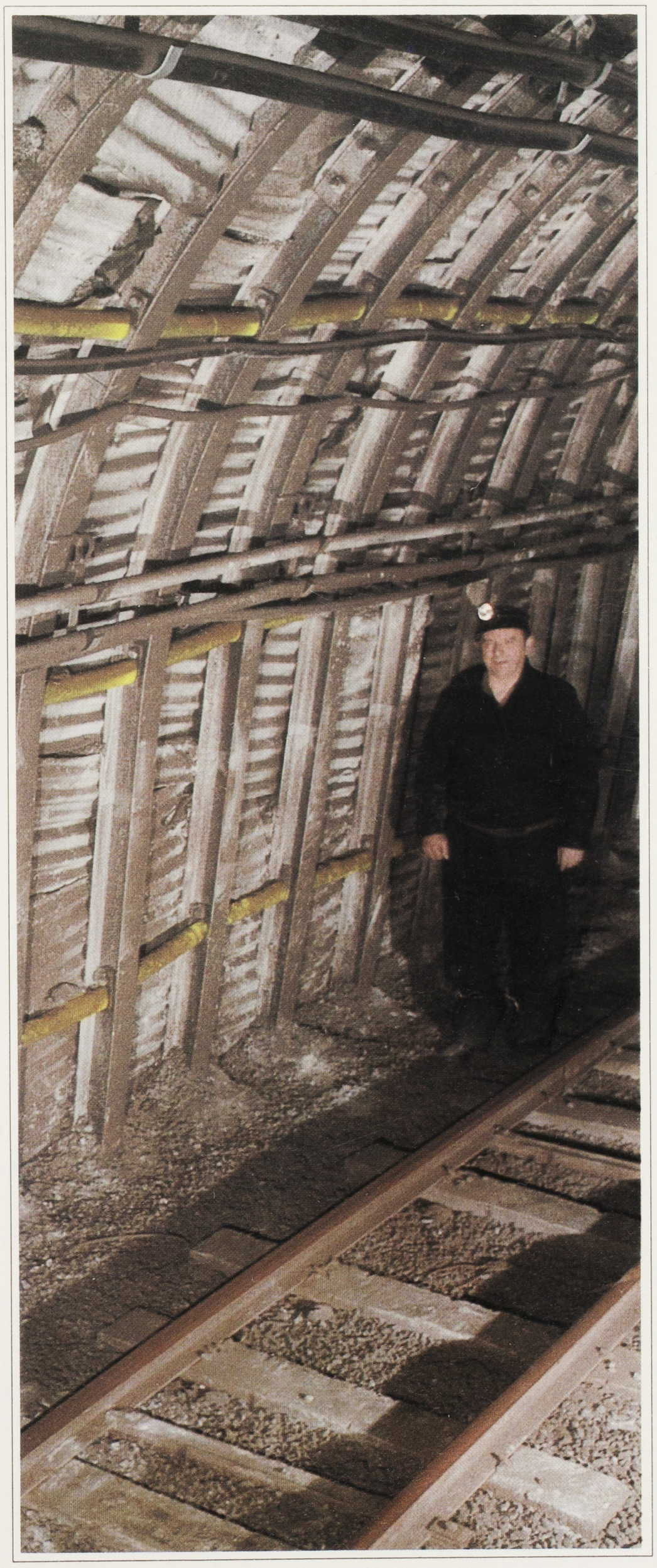
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4 Fixed assets

Land and buildings have been valued at open market value arrived at by updating a professional valuation carried out during 1976.

The replacement cost of plant has been assessed by applying the Index of Consumer Goods and Services to the original cost. The replacement cost has been depreciated in accordance with policy used for the purpose of historical cost accounts.

	£000	£000
Land and buildings		6,047
Plant and motors	20,479	
Less Depreciation	14,921	5,558
		11,605



Subsidiary Companies

Tubing division

Barton Conduits Ltd
Walsall, West Midlands
Steel conduit, conduit fittings and accessories, steel cable trunking and fittings, precision tubing. Malleable and grey iron castings.

Barton Tubes Ltd
Burlington, Canada.
Steel conduit and precision tubing.

Wilfred Russell (Wolverhampton) Ltd
Coseley, West Midlands.
Cable trunking and fittings.

Fabrication division

Wilfred Robbins Ltd
Great Bridge, West Midlands.

Wright, Anderson & Co. Ltd
Gateshead, Tyne & Wear.
Structural steel work, steel framed buildings and medium span bridges.

Walton & Co. (Wolverhampton) Ltd
Tettenhall, West Midlands.
Welded steel fabrications for the mining, building, earth moving and mechanical handling industries.

Engineering division

Alphacast Ltd
Pen-y-groes, Gwynedd
Aluminium pressure die castings

Alpha Computer Services Ltd
Walsall, West Midlands.
Computer systems consultants.

Barton Abrasives Ltd
Aberdeen, Grampian
Great Bridge, West Midlands.
Shot and angular grit in cast iron and steel.

Barton Handling Systems Ltd
Bilston, West Midlands,
Shelving and storage systems.

Barton Industrial Park Ltd
Bilston, West Midlands.
Estate management.

Chemipetro Engineering Ltd
Tipton, West Midlands.
Pipe flanges and fittings.

Clydesdale Stamping Co. Ltd
Dudley, West Midlands.
Drop, upset and precision press forgings.

Eyland & Sons Ltd
Walsall, West Midlands.
Buckles and small articles in brass and steel.

High Pressure Forgings Ltd
Tipton, West Midlands.
Forged steel pipe fittings.

John Lawrie & Co (Aberdeen) Ltd
Aberdeen, Grampian.
Metallic scrap and waste disposal service.

Premcast Aluminium Ltd
Walsall, West Midlands.
Sand and gravity die castings in aluminium.

William Whitehouse & Co (Atlas Forge) Ltd
Warley, West Midlands.
Hammers and other hand tools.

NOTES

All companies are direct subsidiary companies of Barton & Sons Limited.

The whole of the issued share capital of each company is owned within the group.

The U.K. subsidiaries are registered in England except Barton Abrasives Ltd and John Lawrie & Co (Aberdeen) Ltd which are registered in Scotland. In addition four other companies are now dormant and having regard to the number of the company's subsidiaries are not listed.

In addition Janorberry Ltd was acquired during 1978 in connection with the sale of the South African subsidiaries.

Associate: OME (Studbolts) Ltd.

Form of Proxy

For use of ordinary shareholders only
(BLOCK CAPITALS PLEASE)

I/We .....

of.....

.....

being a member(s) of Barton & Sons Ltd hereby appoint the chairman of the meeting .....

.....as my/our proxy to vote for me/us on my/our behalf as indicated at the annual general meeting of the company to be held on the 16th May 1979 and at any adjournment thereof, and at the extraordinary general meeting of the company to be held immediately afterwards.

	For	Against
Resolutions for the annual general meeting		
1 To adopt the report and accounts	☐	☐
2 To declare a final dividend on the ordinary shares	☐	☐
3 (a) To re-elect as a director N Harlow	☐	☐
(b) To re-elect as a director J M Wardle	☐	☐
4 To elect as auditors Peat, Marwick, Mitchell & Co.	☐	☐
5 To increase the authorised share capital of the company	☐	☐
6 To declare a capitalisation issue on the ordinary shares	☐	☐
Resolutions for the extraordinary general meeting		
1 To amend the provisions of the company's memorandum of association	☐	☐
2 To adopt new articles of association of the company	☐	☐

Please indicate with a cross how you wish your vote to be cast.

Signed for the annual general meeting.

.....

.....Date

Signed for the extraordinary general meeting

.....

.....Date

Notes:

1 If it is desired to appoint someone other than the above as proxy the name should be inserted and the chairman of the meeting deleted.

2 In the case of joint holders the signature of any one of them will suffice but the name of the first named in the register should be shown.

3 In the case of a corporation this proxy form must be under seal or signed by a duly authorised officer.

4 Unless specific voting directions are given the proxy will vote or abstain as he sees fit.

5 To be valid the proxy must reach the registered office of the company not later than 48 hours before the time fixed for the meeting.

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BIRMINGHAM,
B16 8BR

121

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Errata

Page **15** bank balances and deposits - 1977 should be 4 not 34

Page **18** foreign exchange adjustment - cost of plant should be (186) not (126)

Page **19** creditors in note 19 - should be (1,281) not (1,181)

Designed by the Astle Horman Partnership,
Printed in England by Oyez Press Limited, Birmingham